

1 UNITED STATES DISTRICT COURT  
2 SOUTHERN DISTRICT OF NEW YORK  
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3 AUDEMARS PIGUET HOLDING SA, *et*  
4 *al.*,

5 Plaintiffs, New York, N.Y.

6 v. 12 Civ. 5423 (HB)

7 SWISS WATCH INTERNATIONAL,  
8 INC., *et al.*,

9 Defendants.

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10 June 26, 2013  
11 10:30 a.m.

12 Before:

13 HON. HAROLD BAER, JR.,

14 District Judge

15 APPEARANCES

16 SPRINGUT LAW, P.C.  
Attorneys for Plaintiffs  
17 BY: MILTON SPRINGUT  
TAL S. BENSCHAR

18 BORSTEIN & SHEINBAUM  
Attorneys for Defendants  
19 BY: JAMES B. SHEINBAUM  
20 AVRAM S. TURKEL

1 (Trial resumed)

2 THE COURT: Well, I'm sorry you had to endure the Fire  
3 Department here as well but if, in fact, you are ready to give  
4 me all of your pearls I am ready to listen and absorb or I'll  
5 try.

6 Why don't the defendants start.

7 MR. SHEINBAUM: Good morning, your Honor.

8 THE COURT: Good morning.

9 MR. SHEINBAUM: When I was asked to give an opening I  
10 referred the Court to what the issue was in the case. And as  
11 framed by the second amend complaint which repeated, what was  
12 in the first amended complaint, that's docket number 27 and  
13 paragraph 25, the plaintiffs have framed this case as one for  
14 post sale confusion, so there's no issue of actual confusion at  
15 one of their stores or one of their retailers which is called  
16 point of sale. There's no question that based on the evidence  
17 before the Court that there's no evidence of a loss of direct  
18 sale because of the two watches that they say are in issue.

19 So what they have now is a very rare case, as I told  
20 you at the outset, of post sale confusion. But they even made  
21 it more limited because their pleading phrases as post -- what  
22 they say their concern is and what they're asking you to  
23 address and redress is post sale confusion in passing. That's  
24 the critical thing, the post sale confusion passing. When you  
25 look at paragraph 25 of their complaint and docket number 27

1 second amended complaint, you will see what they're talking  
2 about. So they didn't produce any evidence of post sale  
3 confusion in passing.

4 For example, they tried to tell you about Dr.  
5 Lirtzman. But Dr. Lirtzman admit and his study says he didn't  
6 study anybody in passing. He studied someone who was staring  
7 at the watch, our watch, the defendant's watch, one of their  
8 watches or a male and a female watch or mens and ladies as they  
9 call them, staring at it for ten seconds. That's not what  
10 their pleading or this case is about. They said what their  
11 concern was that someone might, may, possibly, could confuse  
12 but that's not the standard. The standard for likelihood of  
13 confusion is very clear. It's got to be more than a mere  
14 possibility as this Court's well aware from the ^play text case  
15 which was affirmed by the Second Circuit that it's got to be  
16 more than a mere possibility, more than a hypothetical, more  
17 than speculation. It's got to be a probability. There is no  
18 proof that I heard that comes to close a probability of the  
19 concern that they asked this Court to address, not the concern  
20 that they danced around or they hinted at or whatever.

21 The actual concern what they say we're to try, what  
22 they said the defendants theoretically knew when they designed  
23 their watch because according to them we, the defendants, would  
24 have known somehow hypothetically of a post sale confusion and  
25 that somebody possibly who bought our watch could do something

1 that would cause somebody to be confused about an Audemars  
2 Piguet watch.

3 So, let's look at what they actually had to prove  
4 because they didn't make the mere shadow of an attempt to  
5 prove. They admit that the person has to be knowledgeable  
6 about watches, in particular about their watch, their bezel  
7 with screws. They didn't present that person to say they were  
8 confused.

9 They then say it has to be further that they have to  
10 be in a situation where the person who has that specialized  
11 knowledge sees the Trimix, either the mens or womens, they  
12 concentrate on the mens, and is confused. So now you have to  
13 kind find a second person who is wearing it in the presence of  
14 a person who either has an Audemars watch or knows of it  
15 sufficiently to have a possibility of confusion. But what they  
16 said about their customer base in multiple both through  
17 Mr. Nolot and through Tim Sayler back in Switzerland in his  
18 publicity campaign for Let's Break the Rules, is that they have  
19 a sophisticated customer.

20 And what do they show in their current campaign as we  
21 were trying to show the Court? It's Break the Rules and the  
22 emphasis is not soley on the bezel. The emphasis is not solely  
23 on the Royal Oak. The emphasis is on many collections as their  
24 two books in evidence, their 2011 book and their 2012 book  
25 clearly show, there are many other collections as Mr. Burgener

1 testified that there were many other collections that do not  
2 bear the Royal Oak, we'll call trade dress for lack of a better  
3 world and I'll get to that shortly.

4           So, then you say to yourself, well, they must have  
5 been promoting that a lot in New York and around the world.  
6 And I put in evidence through all of those magazines designed  
7 to show that consistently through interviews, through extensive  
8 publications, there are other lines for which they're known and  
9 for which they sell. And to put an exclamation point to just  
10 how little the emphasis is on this product line at the current  
11 time in the United States, we put in three magazines for June  
12 of this year. One was Watch Time which they say they  
13 advertised in and their sophisticated customers read. And in  
14 that one what watch are they advertising?

15           That's in the composite exhibit, your Honor, that we  
16 put in yesterday.

17           They advertise not the Royal Oak. I am not saying  
18 they've never talked about the Royal Oak but the one that  
19 they're emphasizing is, specifically, to their boutique in  
20 ^balance harbor and their boutique in -- excuse me -- 57th  
21 Street. They say they're advertising the Jewels Audemars  
22 watch, not the Royal Oak.

23           In the wallpaper magazine which is both here and  
24 internationally, same thing, June, not the Royal Oak, a  
25 different watch, a different collection. And in the

1 International Watch magazine that's before your Honor, in that  
2 composite exhibit June of this year what watch are they  
3 advertising? The Jewels Audemars Piguet.

4 THE COURT: I am a little concerned about the role you  
5 seem to be assessing to emphasis. Are you suggesting that they  
6 can't make their case unless they emphasize Royal Oak in their  
7 advertising?

8 MR. SHEINBAUM: No. What I am trying to show is the  
9 lack of people, that the only thing that people associate Royal  
10 Oak with is not the bezel. They associate it with  
11 complications, very expensive watches. There are other lines.  
12 And as we showed through Mr. Burgener, that over 80 percent of  
13 their sales and Mr. Nolot, over 80 percent of their sales are  
14 outside of America to people who are not American that are not  
15 here. So my point is the now when you go through the syllogism  
16 of who could possibly be confused it gets even smaller as to  
17 the potential population.

18 THE COURT: And that depends on the kind of  
19 advertising?

20 MR. SHEINBAUM: No, I am giving that -- who they  
21 market to.

22 THE COURT: I'm just trying to follow you.

23 MR. SHEINBAUM: OK. Fair question. Let's see if I  
24 could clarify that.

25 So, who they marketed to indicates where they think

1 their strength lies and who they want to attract. So they're  
2 not emphasizing at this point in time and in recent  
3 advertisements, only the Royal Oak. That's not to say that  
4 they don't talk about the Royal Oak. I am not saying that.  
5 What I am trying to explain is how small the universe is to  
6 make this potential hypothetical case exist. And what they're  
7 saying is you have, as they call it, collocation of elements.  
8 You have to have a person that knows their watch. So now you  
9 can see reasonably maybe the person that knows Audemars Piguet  
10 who they think they're marketing to doesn't know them from  
11 Royal Oak. They may know them for other watches. So that  
12 shrinks the universe. Then if you get past that person you  
13 have to have a person that bought the Trimix, OK.

14 So you could have both of those two people, a person  
15 that knows Royal Oak and a person that bought the Trimix. But  
16 have you to go a step further for this post sale confusion case  
17 that's in passing, an observer in passing. You have to have an  
18 observer and he has to see in passing and he has to see it long  
19 enough and clearly enough to make some kind of connection to  
20 then do something. They haven't presented that person.

21 Mr. Nolot sat here and told that you he goes out often to  
22 restaurants in Brooklyn and other places and he hadn't seen a  
23 Trimix. Mr. Lirtzman told you he'd never seen a Trimix before  
24 this case. The declarations we put in are people who wore  
25 Trimixes uncrossed, unchallenged that said that when they wore

1 it nobody indicated that they had seen -- that they thought it  
2 was in any way related to an Audemars Piguet watch or Audemars  
3 Royal Oak.

4 So their case that they posit that's framed by the  
5 pleads that they're stuck with, not the case they are going to  
6 talk about in their summation which is not the case before your  
7 Honor which was not the case that they had been talking about  
8 in all their papers, they've been staying away from, what they  
9 try to do is focus you on some of the mechanical applications  
10 of the elements and is pretty clear from all of the decisions,  
11 a mechanical application of all of these elements is not  
12 required while the various elements which have been gone over  
13 at length in the summary judgment papers, in the motions in  
14 limine, so I won't repeat the litany and go through it, they  
15 try to focus on each one. Many are irrelevant to this case.  
16 But the fundamental you are purpose of trademark law is to  
17 prevent the likelihood of confusion of an appreciable number of  
18 people and it has to be more than a possibility, more than a  
19 hypothetical, more than speculative. It has to be probable.

20 Now they also have a burden of proof by the  
21 preponderance of evidence. They still always bear the burden  
22 of persuasion and proving their case at the end of the day  
23 despite whatever the prima facie presumptions are. If there's  
24 any evidence to make the presumption dissolve. For example,  
25 Federal Rule of Evidence 301 deals with that. There's a case



1 recently that talked about it in the Second Circuit about  
2 dissolving presumptions and it's the -- I am not sure if I can  
3 pronounce it correctly -- ITC v. Punchgini and it's 456 F.3d  
4 and I'll give you the whole cite in a minute but that was a  
5 Second Circuit 2007 case but, clearly, those presumptions to  
6 the extent that they are going to argue them exists, have been  
7 more than met and exceeded. But even so they still didn't  
8 focus on -- just like Dr. Lirtzman, did not focus on the issue  
9 that they framed. So, they want to you believe that when Lior  
10 Ben-Shmuel designed his watch somehow he knew from his customer  
11 which is clearly markedly different that he knew that somehow  
12 his watch would cause post sale confusion where somebody would  
13 see an Audemars Piguet watch.

14 THE COURT: You have to know that?

15 MR. SHEINBAUM: How could you have intent?

16 THE COURT: He didn't have to really know that when he  
17 designed it that it has anything to do with the AP watches.  
18 All he had to do was design it and find out that it did.

19 MR. SHEINBAUM: But the watches don't lookalike and  
20 they are not saying that they look a like. Even in their  
21 complaint they are not saying they look a like and they are not  
22 saying that anybody confused it directly. What they are saying  
23 is, if you saw it in passing that you may, possibly, could with  
24 all these things that have to happen and then they don't tell  
25 you how many people because like Mr. Nolot said right in front

1 of you, what proof do you have of that? And his answers remain  
2 the same. No proof. No proof of that.

3 So that's what their case is about. But now I want to  
4 bring up two points that may not have been clear that we wanted  
5 to raise with the Court. And one is lack of standing of AP, of  
6 Audemars Piguet North America inc. one of the plaintiffs in  
7 this case.

8 In order to have standing under the trademark law you  
9 to be a registrant. That's 15 U.S.C. Section 114. And it's  
10 very clear from the trademark registration before the Court and  
11 the testimony that AP North American is not a registrant.  
12 They're not a licensee. They're not an exclusive distributor.  
13 What they are is they are appointed, as we pointed out in  
14 Defendant's Exhibit 50 as to the relationship of the various  
15 parties and as Mr. Burgener explained that the relationship is  
16 that Audemars Piguet Marking SA in Switzerland is the one that  
17 has the exclusive rights and they determine who will be the  
18 distributor in the various territories. And they call that the  
19 authorized distributor. And then the authorized distributor  
20 can operate in the territory, in this case the United States.

21 And so they're clearly out. You've in our motion in  
22 limine. We've cited cases. Again, that's Punchgini or let me  
23 see if I can pronounce it right. That case goes into the --  
24 and the elements that in our motion in limine we talked about  
25 standing in our reply. We gave a whole section. They brought

1 up standing. We gave citations to numerous cases. We don't  
2 need to repeat those. I would prefer the Court to see it. I  
3 think all of their claims have been to be dismissed because  
4 they also have to have standing as the owner of the mark under  
5 New York Law to bring the New York Unfair Competition, the New  
6 York Trade delusion case and the New York General Business Law  
7 360.

8 So we believe that the American company in New York is  
9 out on the basis of lack of standing. And that's  
10 jurisdictional and they don't qualify because in order to  
11 qualify under the Trademark Law you have to be the registrant  
12 and you can look at the definition of registrant under 15  
13 U.S.C. Section 1127.

14 Second issue is, which may not have been clear during  
15 the case and it wasn't clear during the prior briefings is we,  
16 the defendants, are seeking cancellation of the mark. But let  
17 me explain a little bit more what the evidence is about that  
18 and why we're seeking cancellation. The basis for cancellation  
19 is esthetic functionality. And we're basing that on the most  
20 recent case to talk about at length in the Second Circuit  
21 Christian Louboutin SA v. Yves St. Laurent America Holding 696  
22 F.3d 206 Second Circuit 2012.

23 And in that case they talk about the famous red shoes  
24 and they talked about color. We're not talking about color  
25 here. We're talking about is how far can trademark law go to

1 protect and that's what the doctrine of esthetic functionality  
2 does. One of the things it does is it says, OK, you can have  
3 your trademark. But when it goes so far as to prevent another  
4 company from effectively competing then you have gone too far.  
5 And we say that Royal Oak in this case and Audemars Piguet have  
6 gone too far.

7 Because if you look for example and the Court properly  
8 asked Mr. Ben-Shmuel during his testimony, if you look at, for  
9 example, Defendant's Exhibit 17 at page I think it's 30, the  
10 Cartier watch at page 31 of Defendant's 17, there's a big  
11 picture of the Cartier watch. And you will see where the  
12 screws are and you will see the octagonal bezel. So, let's  
13 suppose for a second someone else wants to make a watch, they  
14 say it's no longer being done. But that watch closely  
15 resembles and could be confused, according to them, meaning the  
16 plaintiffs, with the Royal Oak watches.

17 Well, they didn't bring in any evidence to show that  
18 Royal Oak, Audemars Piguet, Audemars Piguet North America,  
19 Audemars Piguet in Switzerland ever brought a lawsuit to stop  
20 that watch from being seen. And that watch more than likely  
21 was seen over the years by a number of people who were wearing  
22 it where there were luxury situations. And you would think  
23 that since they got a design patent that's publicly available  
24 in 1981 for that, Cartier, that somebody would have made a  
25 complaint. There would have been a lawsuit.

1           One other thing about how well-known this mark is  
2       which seems to be unclear, they didn't put in any documents to,  
3       specifically, show sales prior to 2006. So for purposes of the  
4       record in the United States, so for purposes of record there's  
5       actually no evidence of sales of Royal Oak prior to 2006. We  
6       don't say that there were never any sales. We don't go that  
7       far. We just say there was no evidence. And you would think  
8       that if it was so well-known at that point in time they would  
9       have put in evidence. So in 2006 you see they sold a couple  
10      thousands piece of Royal Oak. Of course in their sales  
11      document, that's Plaintiff's 213, they did not, actually, say  
12      "net sales" and no one actually testified to net sales. They  
13      did back off a little bit when they were to correct their  
14      testimony concerning what the sales were when they had to  
15      explain what happened in the PTO and why there was a difference  
16      in the numbers. But the point is they didn't show you any  
17      sales prior to 2006.

18           Then how about after November 2012? No evidence of  
19      any sales was put in after November of 2012 in their Exhibit  
20      213 and no one testified about it, specifically, to say what  
21      the sales were after November 2013. Yes, Mr. Nolot said what  
22      the best seller was and gave a small number but he did not  
23      specify that that was in 213. And that again goes to my point  
24      about showing what the current emphasis of the company is.

25           THE COURT: I think I really have your drift.

1 MR. SHEINBAUM: Can I make one further point?

2 THE COURT: Sure.

3 MR. SHEINBAUM: OK. What we say here is they posited  
4 a case that is extremely rare. They have gone too far. And  
5 that like in the Louboutin case we're not saying they are not  
6 entitled to have their watch. We are not saying that they are  
7 not entitled to have the Royal Oak. We are just saying that  
8 they've gone way too far. They're stifling competition. And I  
9 one point I would like to bring home that makes the Trimixes  
10 different than the Audemars Piguet watch is if you look  
11 carefully at the watches the places where the bolts are are  
12 lined up with the hour markers because it's a diver watch.

13 THE COURT: I heard.

14 MR. SHEINBAUM: That is not true.

15 THE COURT: Thank you.

16 We'll take about five minutes before we hear from the  
17 plaintiff.

18 Thank you.

19 (Recess)

20 (Continued on next page)

D6QHAUD2

Mr. Benschar - Summation

1 THE COURT: We are ready when you are.

2 MR. BENSCHAR: Good morning, your Honor. As you know,  
3 I represent Audemars Piguet and I wanted to touch on three  
4 points -- liability, willfulness, and remedies.

5 Starting with liability, we have to show, one, we own  
6 a valid trademark, and, two, it was infringed by the defendants  
7 by using it in a way that is likely to cause confusion.

8 As to validity, we have four registrations. They are  
9 presumed valid. It is the defendants' burden under Second  
10 Circuit law to prove that they are invalid. When we talk of  
11 this kind of a mark, a product design mark or trade dress, as  
12 it is sometimes called, there are two parts -- secondary  
13 meaning and non-functionality.

14 As to secondary meaning, I think we have shown the  
15 Royal Oak design has been consistent and extensively promoted  
16 for 40 years. There are numerous media comments we showed. We  
17 blew up a couple of them but we will give your Honor a 1006  
18 summary. They call it an icon, a classic. Among luxury watch  
19 buyers, it is a very well-recognized design. Even those that  
20 don't necessarily buy Audemars Piguet, it is something that has  
21 been promoted, recognized. It is roughly 75 percent of the  
22 company's line. Sales in both the U.S. and abroad, and after  
23 40 years there is a strong recognition to this design.

24 Now, the defendants rely primarily on a bunch of  
25 watches, pictures of watches they produced, of octagonal

D6QHAUD2

Mr. Benschar - Summation

1 watches, to somehow say that it doesn't have secondary meaning.  
2 Two basic problems with that. One is many of their pictures  
3 don't look like our watch. It is octagonal. The more basic  
4 problem is because we are talking about market perception --  
5 and as I said in my introduction, that is the key for a lot of  
6 the issues, including secondary meaning. There is no context  
7 as to how many of these other watches were sold, where, even in  
8 the U.S., at what time, in what quantity, by whom, and, for  
9 example, the Cartier octagonal Santos watch, which was one of  
10 their prime examples, they were not able to -- all they were  
11 able to say is sometime in the early '90s it was sold. We had  
12 testimony it was discontinued. Now, the infringement time is  
13 from 2010, when they started, to 2013, today. A watch that was  
14 sold 15 and 20 years earlier, the effect on market perception I  
15 submit is de minimus, particularly when we don't know how many  
16 were sold.

17 So I think at least in the luxury watch consumer  
18 market, those who are willing to spend that kind of money,  
19 there is definitely a strong association of the design with  
20 Audemars Piguet. It is a classic. It is an icon. That is not  
21 my words. That is the New York Times talking. That is  
22 WatchTime Magazine talking. That is the gentleman on the video  
23 that we showed your Honor at the beginning. That is not a  
24 lawyer who is being paid talking. That is third parties,  
25 independent, saying this is a classic and an icon.



D6QHAUD2

Mr. Benschar - Summation

1           Turning over to functionality, I haven't heard any  
2           refutation at all about what is called utilitarian  
3           functionality. There is nothing about the design that makes  
4           the watch work better as a watch or cheaper to manufacture or  
5           anything of that kind. What they have now argued is what is  
6           called esthetic functionality. Under the pertinent law, they  
7           have to show that it would create a significant  
8           non-reputation-based competitive disadvantage. They have to  
9           show by giving us these rights that puts them at a competitive  
10          disadvantage.

11           Now, that clearly is not the case here because as we  
12          put in evidence, the defendants' own catalog shows there are  
13          hundreds of other alternate designs. This is less than 1  
14          percent of their business. And if your Honor enjoins them from  
15          using the design, they have 99 percent of their business, many  
16          other watch models and designs to use, including one which is  
17          an octagonal. We saw an octagonal watch that they have, that  
18          doesn't look like our watch but it is octagonal, and we are not  
19          claiming that other one, I think it is called the Octo or the  
20          octagon, we are not saying that infringes. So you can have  
21          another octagonal watch that does not infringe the Royal Oak  
22          trademark, and therefore the notion that this puts them at some  
23          competitive disadvantage, when 99 percent of their business is  
24          other designs and other models, is just a specious argument.

25           Let me turn over to infringement or likelihood of

D6QHAUD2

Mr. Benschar - Summation

1 confusion. Mr. Sheinbaum is correct, post-sale confusion is  
2 our primary argument in this case, but, however, I looked at  
3 paragraph 25. I didn't see the term passing by. What I saw,  
4 what I see here, it said: Based on the commercial strength of  
5 the mark and the similarity of the design, "there is a great  
6 likelihood that at least those who observe defendants' watches  
7 being worn in a post-sale context will be confused by the great  
8 similarity in design into falsely believing that such watches  
9 are manufactured or sponsored by plaintiffs."

10 Nothing about passing by. There are many ways one can  
11 see something in a post-sale context -- see it worn casually in  
12 a restaurant, in an elevator, on the street. Post-sale  
13 confusion has been recognized in this Circuit for over 50 years  
14 in many different cases. I don't know why Mr. Sheinbaum thinks  
15 it is rare. Virtually every counterfeiting case that is out  
16 there relies on post-sale confusion, as well as many other  
17 non-counterfeiting cases.

18 Now, the evidence of likelihood of confusion. The  
19 number one piece of evidence is Dr. Lirtzman's survey. He  
20 showed people, yes, people who are luxury watch consumers. We  
21 are not talking about people who own or can purchase a \$15,000  
22 watch, and more than a third of them saw the defendants,  
23 picture of defendants' watch on someone's wrist. Nothing was  
24 removed. Not the word Swiss Legend, not their logo. It is  
25 exactly the way you would see it on someone's wrist.

D6QHAUD2

Mr. Benschar - Summation

1           We didn't redact, as other people have done in other  
2 cases and have been criticized for, we didn't redact, and more  
3 than a third of the people said it is an Audemars watch, with  
4 their trademark on it. That is an indication, that is a  
5 powerful indication, that there is post-sale confusion.

6           The same thing, the movie we played. The gentleman  
7 said, in essence, this is a substitute. If you can afford the  
8 \$15,000 Audemars Piguet, so God bless you, go out and buy one.  
9 But if you can't, this is a good substitute, and you can get it  
10 for \$150 and go to my website, I will tell you where to find  
11 it. So we submit this is powerful evidence of post-sale  
12 confusion.

13           Let me just address two arguments that Mr. Sheinbaum  
14 has made which are legally incorrect. One, he says we haven't  
15 brought in anybody who was confused. It is black letter law  
16 you don't need actual confusion. There are numerous cases,  
17 both post sale and not post sale, where nobody does that.  
18 People have even gone to jail in counterfeiting cases for  
19 post-sale confusion. United States v. Hon. And no one has  
20 ever said, well, I have to bring a Rolex consumer and look at  
21 the \$25 knockoff that he bought in Chinatown and say, look, he  
22 saw that and he was confused. No one has ever done that. It  
23 is virtually impossible to do, and counterfeiting cases would  
24 come to a grinding halt if you had to do that. So it is  
25 likelihood of confusion.

D6QHAUD2

Mr. Benschar - Summation

1           In fact, similarly -- I guess it is a related  
2 argument -- the crossing paths, who is going to -- we are going  
3 to have a situation, Mr. Sheinbaum says, where a luxury goods  
4 consumer will see someone wearing the Trimix. Again, numerous  
5 cases. Second Circuit has never required that kind of proof.  
6 And in any event, likelihood of confusion -- the defendants  
7 sold over 42,000 watches. 43,000 I think by April. 43,000  
8 watches all over the United States on the internet. Now, I  
9 guess maybe a few are being put in someone's collection, like  
10 the firefighter with his 2,000 watches, but it is a fair  
11 inference the vast majority are being worn and people are  
12 wearing it all over the country and people all over the country  
13 that are luxury goods consumers, it is not difficult to see how  
14 one person could meet up with another. It varied in many  
15 contexts. It could be a repairman comes to someone's house; it  
16 could be in a restaurant. Many different contexts it could be  
17 seen. But you know, the notion that we have to prove that  
18 there will be a crossing of the paths, so to speak, is simply  
19 not legally required. And in any case, it is shown here.

20           Let me move over to the issue of willfulness because,  
21 although that is not a requirement for liability, it certainly  
22 is an important factor for the remedies.

23           This is a case of willful blindness or willful  
24 indifference. The Second Circuit said that's enough for  
25 enhanced remedies. And basically, willful blindness, you

D6QHAUD2

Mr. Benschar - Summation

1 ignore the warning signs. You have a red flag and you just  
2 decide, I don't care, I don't want to be bothered, I am not  
3 going to deal with this and we'll see what happens. That is  
4 what willful blindness is.

5 We have numerous examples of this. Number one,  
6 Mr. Ben-Shmuel testified he is the decision maker. He was the  
7 CEO until recently, and certainly not a neophyte in the watch  
8 industry. He has 20 plus years experience, familiar with  
9 Audemars Piguet and no doubt with the Royal Oak watch. And the  
10 design, when it was proposed by the Hong Kong supplier, was  
11 modified to look much more like the Audemars Piguet watch.

12 Second, we have a Cartier trade dress suit in 2009.  
13 Again, a watch brought by the same supplier. And after that  
14 suit was settled, very minimal effort to try to make sure no  
15 further infringements.

16 Then we have the Basel fair events, and, again, the  
17 importance of Basel fair is not what they decided. We are not  
18 claiming res judicata or anything. There was a lot of  
19 instances of what kind of due process rights they had. That is  
20 not the point. The point is in Basel fair they knew Audemars  
21 Piguet has a registration for this trademark. They were told  
22 this is a problem. Someone said it was a problem. Whether  
23 they agreed with it or not, they came -- in fact, they did a  
24 search and found there was a U.S. patent. In his own notes,  
25 Mr. Ben-Shmuel's notes. So he knew there was some kind of U.S.

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Mr. Benschar - Summation

1 right. He made a comment, you'd never get rights like this in  
2 the U.S.

3 So clearly it was on his mind there might be rights in  
4 the U.S., because they are a U.S. company, and what did they  
5 do? They came home after Basel and did nothing. No search.  
6 Didn't hire an attorney to do a search. We live in the digital  
7 age where you can go on the PTO website and it would take me  
8 about five minutes to find Audemars Piguet registrations, and  
9 we had two at the time. We already had two. Two were issued  
10 during the pendency of the case. And no effort to hire an  
11 attorney, to ask counsel to help, to do anything other than we  
12 just decided we don't care and this is what it is.

13 Then we have the cease-and-desist letter in May 2012.  
14 Just ignored it. Continued selling again and again on their  
15 website and to others. Then after suit started again continued  
16 sales.

17 The defendants say, well, we had these outstanding  
18 orders. Quite frankly, I don't think that is particularly  
19 credible because this is their, one of their largest suppliers.  
20 Millions of dollars of business. It is hard to believe that  
21 they can't -- the suit was in July and they are still getting  
22 orders in March of 2013, the record shows, the document shows,  
23 and that they couldn't figure out how to cancel the orders or  
24 modify it to be non-infringing or do some other model of their  
25 hundreds of other models. It stretches credibility.

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Mr. Benschar - Summation

1 And, finally, Mr. Ben-Shmuel's summary judgment  
2 declaration, paragraph 30, where he says to the court: We've  
3 never been sued. Defendants have never been sued for trade  
4 dress infringement. His words. Not our words. Well, in fact,  
5 they were sued for trade dress infringement in 2009 by Cartier.  
6 And yours truly and Mr. Springut were the initial lawyers  
7 there. So we know it very well.

8 Again, that is an attempt to mislead the court. It is  
9 not true. As the Supreme Court said, when you are dishonest  
10 about a material fact, the court can draw an adverse inference  
11 against you.

12 THE COURT: It is not a willful indifference problem.  
13 It is a separate concern. Go ahead.

14 MR. BENSCHAR: Well, your Honor, the reason it is  
15 relevant is because in that declaration I think Mr. Ben-Shmuel  
16 was trying to convince the court of his good faith, and one way  
17 he said is we've never been sued this way before. So he is  
18 trying to convince the court of his good faith and meanwhile,  
19 he is misrepresenting a fact that goes to his good faith. So  
20 that is why I think it is relevant.

21 Now let me go over to the issue of remedies.  
22 Obviously we are going to ask for an injunction. That is  
23 pretty standard in a trademark case. I think we have met the  
24 four eBay factors -- confusion, causes irreparable harm. It is  
25 very difficult to show damage. We are being damaged, but it is

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Mr. Benschar - Summation

1 hard to show. As in almost every trademark case, it is very  
2 hard to go out to say how your sales are affected. And in any  
3 event, as a number of courts have said, losing control of your  
4 reputation, that alone is irreparable harm. Even if they had  
5 perfectly good watches that were perfectly the same as ours,  
6 the fact that someone has something confusing with ours, today  
7 may be a perfectly fine watch, tomorrow it may be a junky watch  
8 and lose control of a company's reputation, that alone is  
9 irreparable harm.

10 The balance of the harms, clearly, as the defendants,  
11 Mr. Ben-Shmuel testified, is less than 1 percent of his  
12 business. The business can go on quite nicely with or without  
13 an injunction. So that's what we would be asking the court.

14 Let me go to the issue of profits.

15 THE COURT: You keep harping on that aspect, but if  
16 you haven't proven your case, what is the difference whether it  
17 is 1 percent or 50 percent?

18 MR. BENSCHAR: No, I understand. We have to show  
19 liability clearly. But under eBay, one of the factors is  
20 balance of the harms. I'm asking the court for an injunction.  
21 One of the eBay factors is to show the balance of the harms  
22 between the plaintiff and the defendant.

23 THE COURT: Once you prove your case. Once liability  
24 is proved.

25 MR. BENSCHAR: I understand, but I am addressing



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Mr. Benschar - Summation

1 everything, though.

2 THE COURT: We are on to remedies.

3 MR. BENSCHAR: Right.

4 The big issue here is the defendants' profits. The  
5 issue of the notice and the notice of the registration we have  
6 briefed extensively. I won't repeat that now.

7 The total sales, the defendants' CFO admitted, were  
8 about \$4.3 million. The statute requires -- it is the  
9 defendants' burden to prove, not our burden. We have to show  
10 sales of infringing items. They have to show cost. It is  
11 their burden.

12 They have two kinds of cost -- direct cost. No back  
13 up documents in evidence. Many of their costs were admitted to  
14 being nothing but estimates or averages, but no provision of  
15 how those were arrived at. Simply, it is their ipse dixit from  
16 a report that was created for litigation saying this is our  
17 cost per watch. This much for the movement, this much for the  
18 watch itself, and then for shipping and so on. All that is  
19 unsupported. So I don't think they've met their burden on  
20 that.

21 Going over to overhead, for sure they haven't met  
22 their burden on that because what they did is everything that  
23 wasn't direct cost they lumped together for the whole company  
24 and they divided it up somehow by some formula among the  
25 watches. Well, the Second Circuit has made very clear that

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Mr. Benschar - Summation

1 while you can get -- in an intellectual property case you can  
2 reduce your profits by overhead, but you have a burden to show,  
3 to break out the overhead costs into distinct categories and  
4 show how each category has a nexus between that cost and the  
5 sale of the infringing item. You can't just lump it  
6 altogether.

7 What the defendants have done here simply doesn't meet  
8 their burden. Similar things have been rejected by courts in  
9 both trademark and copyright cases, and again, we will have a  
10 briefing so we will go into that in more detail. So we think  
11 the court should award the full amount of sales.

12 Now, one other point before I respond to some things  
13 Mr. Sheinbaum said. We also maintain that this is a  
14 counterfeit because it is substantially indistinguishable from  
15 one of our registrations. The Second Circuit says, the  
16 counterfeit is determined by what a consumer would think, not  
17 what an expert would think. The difference that that makes  
18 here is under 15, U.S.C., 1117(b), if you have a willful use of  
19 a counterfeit mark, you are entitled to mandatory treble  
20 damages and mandatory attorneys' fees. So if the court finds  
21 it is counterfeit, then we fall under that remedy as well. And  
22 of course, we are going to be asking for attorneys' fees as  
23 well whether or not it is counterfeit.

24 Let me just briefly respond to one point. I think I  
25 responded to most of the points. In terms of the standing of

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Mr. Benschar - Summation

1 the North American, Audemars Piguet North America, the problem  
2 with Mr. Sheinbaum's argument is he neglects -- there is a  
3 difference, the courts recognize, between Section 32 and  
4 Section 43(a). Section 32 by its terms does require a  
5 registrant, and the registrant is a coplaintiff, Audemars  
6 Piguet Holding. However, Section 43(a) says: Any party that  
7 is damaged or even believes it is damaged by the infringement  
8 can bring suit.

9 There are a number of cases. In fact, the Calvin  
10 Klein case, which Mr. Springut worked on, which they cite in  
11 their papers, makes this exact distinction. It says, well,  
12 that party was a licensee or distributor. I forget which. It  
13 said, you don't have standing as a Section 32 but you do have  
14 standing under Section 43(a), and Judge Katz permitted that  
15 case to go forward on that basis.

16 So clearly this is the exclusive distributor. The  
17 North American company makes its money by selling Audemars  
18 Piguet watches. That is all they sell, and 75 percent is Royal  
19 Oak in North America.

20 THE COURT: If you are right, if 32(a) doesn't count  
21 for North America. But I think what you are saying is it does  
22 count for the Swiss company. How does that affect anything?  
23 Why would anything change as a consequence? What do you think  
24 Mr. Sheinbaum is saying about that?

25 MR. BENSCHAR: He wants that one company out of the

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Mr. Benschar - Summation

1 case.

2 THE COURT: What would do that do?

3 MR. BENSCHAR: Well, one of the differences is,  
4 depending on how your Honor rules on the notice issue, that  
5 company may be entitled to -- because 43(a), you are entitled  
6 to, even without notice --

7 THE COURT: I understand the Lanham Act. I am not  
8 clear about what it is that will happen with respect to 32.

9 MR. BENSCHAR: It relates to the period of damages.  
10 Depending upon how your Honor rules on the notice issue. If  
11 your Honor rules as we argue, it really makes no difference.  
12 But if your Honor adopts the defendants' arguments, the problem  
13 is the marking statute, which is Section 29, only relates to a  
14 registrant. Now, Audemars Piguet North America is not the  
15 registrant. So the limitation related to notice does not apply  
16 to that company. So it would make a difference.

17 We argue this in our brief on, I believe in the in  
18 limine, that that company would be entitled under Section 43(a)  
19 to profits beginning at the, really at the inception of the  
20 infringement. So it could make a difference depending on how  
21 your Honor rules on the other issue. So the two are  
22 interrelated.

23 I agree, if your Honor rules the way our position is  
24 that Section 43(a) does not require -- and the counterfeiting,  
25 incidentally, the counterfeiting, 1117(b), does not require any

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Mr. Benschar - Summation

1 notice at all, then it makes no difference. They are just  
2 coplaintiffs.

3 Let me close with the following thought. The thing  
4 that I found mysterious about this case, the defendants say  
5 this is less than 1 percent of their business. So why have  
6 they fought this case so hard. It is one thing if we sued  
7 someone and said, look, we want to shut down your whole  
8 business. I can understand someone would fight very hard in  
9 that situation.

10 This is a situation where we are saying 99 percent of  
11 your business we really couldn't care less about. Less than 1  
12 percent we have a big problem with it. Why are the defendants  
13 fighting this so hard? I think that this demonstrates their  
14 willful indifference. Their attitude is we will use whatever  
15 designs we want and if someone complains, it is the cost of  
16 doing business. We will litigate. And sooner or later, just  
17 your shenanigans, as Mr. Ben-Shmuel testified, and sooner or  
18 later we will pay some lawyers and that is the cost. We are  
19 making \$4 million off this. So if we have to pay half a  
20 million dollars to Mr. Sheinbaum and his cocounsel down in  
21 Florida, so be it. It's worth it to us. I think that is what  
22 that demonstrates. Otherwise, it really makes no sense.

23 Therefore, it is important for the court, as the  
24 Second Circuit said in the WEB Basset case, to take out, all  
25 profit out of infringement to deter people from infringing.

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Mr. Benschar - Summation

1 Not to have people have an attitude, I'll sell an infringing  
2 watch or a product and if I ever get caught, called on it, I'll  
3 litigate a little and then we'll settle and meanwhile I've made  
4 a lot more money than what it's cost me, so that is the cost of  
5 doing business. To spend \$4 million, I will spend half a  
6 million in legal fees. That is why it is important, as the  
7 Second Circuit said, to give a strong remedy in this case and  
8 to deter the defendants and others from doing this again.

9 THE COURT: Well, I thank you both and we have a date  
10 for findings of fact and conclusions of law. So I look forward  
11 to reading all of those pearls as well.

12 MR. BENSCHAR: Your Honor, just one housekeeping  
13 thing. I made a mistake on my calendar yesterday. The date I  
14 gave you was a problem. Could we just move it -- Mr. Sheinbaum  
15 has consented -- can we move it one day later, to July 17th, if  
16 that is all right with you?

17 THE COURT: What is that going to do to your vacation?

18 MR. BENSCHAR: Nothing.

19 THE COURT: So why are we moving it?

20 MR. BENSCHAR: Because the 16th is a fast day and I am  
21 going to be out the whole day. So if we can just move it one  
22 day to the 17th.

23 THE COURT: That is fine.

24 MR. BENSCHAR: All right.

25 Thank you very much, your Honor.

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Mr. Benschar - Summation

1 THE COURT: Thank you, both. I learned a lot. We  
2 will see what happens.

3 (Trial concluded)